

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G05-38
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
PACIFIC NW TITLE INSURANCE)	
COMPANY)	AND ORDER ADOPTING REPORT
)	OF
A Domestic Insurer.)	FINANCIAL EXAMINATION

BACKGROUND

An examination of the financial condition of **PACIFIC NORTHWEST TITLE INSURANCE COMPANY** (the Company) as of December 31, 2001, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on April 20, 2005. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 13 of the report.

PACIFIC NORTHWEST TITLE INSURANCE COMPANY

Order Adopting Examination Report Address: P.O. Box 40255 • Olympia, WA 98504-0255
May 17, 2005 Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **PACIFIC NORTHWEST TITLE INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

ORDER

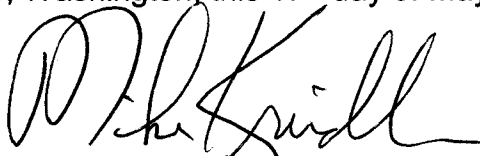
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-2.

1. Pursuant to RCW 48.05.280, the Company is ordered to generate full and adequate accounts and records of its assets, obligations, transactions, and affairs in order to ensure accurate and accountable support for all annual statement schedules in compliance with RCW 48.05.250 which requires annual statement filings in general form and context as approved by the NAIC. Instruction 1, Examination Report, page 1.
2. Pursuant to RCW 48.31B.025(5)(a), the Company is ordered to report to the OIC all dividends and other distributions to shareholders within five business days after declaration and at least fifteen business days before payment. In addition, the Company is further ordered to maintain accounts and records, including Board minutes which reflect accurate operational affairs approved by Board resolutions pursuant to RCW 48.05.280. Instruction 2, Examination Report, page 2.
3. The Company is ordered to consider preparing a formal, written Business Contingency Plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities. Comments and Recommendations 1, Examination Report, page 2.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 17th day of May, 2005.

A handwritten signature in black ink, appearing to read "Mike Kreidler", written in a cursive style.

MIKE KREIDLER
Insurance Commissioner



May 10, 2005

James T. Odiome, Deputy Insurance Commissioner
State of Washington
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

RE: Examination Report of Pacific Northwest Title Insurance Company
As of December 31, 2001

Dear Mr. Odiome,

We are commenting on the above referenced draft examination. Specifically on the two "Instructions" to the Company and the one "Comments and Recommendations" listed in the draft report. We will address each item in the same order that they appear in the draft report.

Instructions 1. Schedule P Reconciliation:

The draft report states: "The Company could not produce reconciled accounts and records to support its annual statement Schedule P, Part 1 Summary in its 1996-2001 NAIC Annual Statements. The Schedule P, Part 1 Summary did not reconcile with the Company's internal reports for the years 1996 to 2001."

In fact, the Company over-reported the amount of insurance written by \$3.9 billion on the Schedule P, Part 1 Summary during the audit time frame. We discovered that the methodology used to compile and report this information failed to reduce the total Premiums Written by that amount which was ceded to other insurers. We have corrected this oversight and can now produce accurate and adequate accounts and records to support the data on Schedule P.

Instructions 2. Holding Company Violation:

The draft report states: "...these ordinary dividends were declared and paid without prior notification to the OIC as required by RCW 48.31B.025(5)(a)."

Thank you for bringing this to our attention. If and when the Company declares another dividend, we will certainly comply with the instructions in RCW 48.31B.025(5)(a).

May 10, 2005
James T. Odiorne, Deputy Insurance Commissioner
State of Washington
Office of the Insurance Commissioner
Page 2.

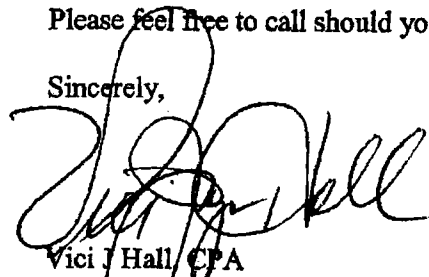
Comments and Recommendations 1. Business Contingency Plan:

The draft report states: "It is recommended that the Company prepare a formal, written Business Contingency Plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities."

The Company is literally in mid-process of establishing a contingency plan. We have established a Hot Site and the Hot Site server is in place. Telecommunication links between the Company and the Hot Site have been ordered. It is anticipated that preliminary testing can begin by late 4th quarter 2005.

Please feel free to call should you have any questions,

Sincerely,

A handwritten signature in black ink, appearing to read "Vici J. Hall", is written over the typed name and title.

Vici J. Hall, CPA
Senior Controller
Pacific Northwest Title Holding Company